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EXECUTIVE SUMMARY

GENERAL STATEMENT

The Indian Health Service (IHS) has the responsibility for the delivery of health services to Federally-recognized American Indians and Alaska Natives (AI/AN) through a system of IHS, tribal, and urban (I/T/U) operated facilities and program based on treaties, judicial determinations, and Acts of Congress. The Mission of the agency is to raise the physical, mental, social, and spiritual health of AI/AN to the highest level, in partnership with the population served. The agency Goal is to assure that comprehensive, culturally acceptable personal and public health services are available and accessible to the service population. The mission and goal are addressed through four Strategic Objectives, which are: 1) Improve health status; 2) Provide health services; 3) Assure partnerships and consultation with I/T/U; and 4) Perform core functions.

OVERVIEW OF THE BUDGET

This budget request and performance plan represents the basic step necessary to provide essential primary care to the American Indian and Alaska Native communities and the health disparities that prevail in the AI/AN population. It is consistent with the Agency's mission, the Department's strategic plan, and HHS' efforts to eliminate racial and ethnic disparities in health.

The Indian Health Service proposes an increase of $60,027,000 and 83 FTE in FY 2003 above the FY 2002 enacted. This budget would provide access to basic health care, including current services, contract support costs, health care facilities construction, contract health services, information technology, Indian health profession, epidemiology centers, privacy regulation, and urban health. These investments aim to support the I/T/U capacity and infrastructure required to provide access to high quality primary and secondary medical services, and basic preventive services.

To further the President's Management Agenda for FY 2003 and support the Secretary's Workforce and Restructuring Plan, this budget includes an administrative reduction and cost savings through increased management controls. The administrative reduction will be achieved by consolidation of legislative and public affairs offices; and, begin the process of consolidating human resource offices; information technology systems; and facilities management activities. Management controls will be placed on general administrative costs for personnel, travel, and related support costs. Specific reductions and controls will be implemented after consultation with Tribal leaders on impacts to the delivery of health care services at the community level.

The FY 2003 budget request includes the transfer of the IHS' Legislative and Public Affairs offices to the Office of the Secretary where all legislative and public affairs functions in the Department will be consolidated into two offices by the end of FY 2003. The transfer includes $838,000 and 8 FTE.

The IHS, in FY 2002, will begin exploring and working with the Department on the consolidation of buildings and facilities management activities for the FY 2004 budget formulation cycle. The FY 2003 budget request includes $72,000,000 for health care facilities construction at IHS.

The FY 2003 budget request proposes to include IHS in HHS' Departmental Transfer Authority of up to 3 percent. This appropriation transfer authority will allow the Secretary to respond to critical and unanticipated needs throughout the Department. Language authorizing this transfer is proposed for inclusion in the Labor, Health and Human Services, Education, and Related Agencies Appropriation Act General Provisions.

POLICY BASIS FOR FY 2003 BUDGET REQUEST

The Federal Commitment is to Raise AI/AN Health Status in Partnership with Tribal Governments.

From a policy perspective, this budget request is based on both new and longstanding Federal policy and commitment for improving health status by assuring the availability of basic health care services for members of federally recognized Indian tribes. The request supports the following three policy initiatives:

- HHS' effort to eliminate racial and ethnic disparities in health.
- the proposed HHS Healthy People 2010 and its goal of achieving equivalent and improved health status for all Americans over the next decade,
- the DHHS Strategic Plan:
    - Goal 1 - Reduce major threats to health and productivity of all Americans.
    - Goal 2 - Improve the economic and social well being of individuals and families, and communities in the United States.
    - Goal 3 - Improve accesses to health services and ensures the integrity of the Nation's health entitlement and safety net program.
    - Goal 4 - Improve the quality of health care and human services.
    - Goal 5 - Improve public health systems.

In addition, the Indian Health Care Improvement Act also reflects the reaffirmation of the U.S. government's commitment to Indian tribes to improve the health of their people. The Act states "The Congress hereby declares that it is the policy of this Nation, in fulfillment of its special responsibilities and legal obligations to the American Indian people to assure the highest possible health status for Indians and urban Indians and to provide all the resources necessary to affect that policy."

BUDGET PRIORITIES AND STRATEGIES

The primary policy basis for this budget request is eliminating health disparities between the AI/AN population and the general U.S. population. This budget request supports this intent by providing access to the basic health services, including assuring that facilities and equipment are available for the provision of health services, and contract support services are available to the tribal health delivery system.

Providing Access to Basic Health Care

The priority in the budget proposal is to provide access to basic health services. The IHS has demonstrated the ability to effectively utilize available resources to provide effective services and improve the health status of the AI/AN people. However, this record of achievement has eroded in recent years. To address access to essential individual and community health services, the Areas I/T/U identified funding current services items as their first priority for budget increases for FY 2003. The requested funds provide an investment that supports the I/T/U public health system so quality medical and preventive services can be available to the AI/AN communities.

An essential component of supporting access to services and improving health status in the long run is to assure that facilities and equipment are available for the provision of health services. The average age of IHS facilities is 32 years. The age of facilities make the efficient, safe, and pleasant provision of services difficult at some locations.

Also critical is the provision of contract support costs to the tribal health delivery system. These requested funds are necessary for tribal communities to assure that there are utilities, training, clerical staff, administrative and financial services needed to operate health programs. Without this funding, the supports are either not available, or these services must be funded from resources that would otherwise fund health service activities. This investment is consistent with the goals to expanding tribal participation in the management of the programs and the principles of the Indian Self-Determination Act.

Reducing the Gap in Health Disparities

The proposals mentioned above will keep the programs functional at or near current service levels. The next proposals are intended to assist the I/T/U providers in improving the health status of AI/AN beneficiaries. These program initiatives include funding for the tribal epidemiology centers, information technology, privacy regulation, urban health, Indian health profession, and contract health services.

Conclusion

In summary this budget request and performance plan will provide access to individual and community health services. The request provides the basic investment required to support the I/T/U public health system so that it can maintain current level of access to essential health care services and address the tribal epidemiology, information technology, contract health service and urban health needs.

FY 2003 Budget Request Summary
(Services and Facilities, BA)

	2001 Actual	2002 Appropriation	2003 Estimate	Increase or Decrease
Current Law BA **2**	$2,628,016,000	$2,758,302,000	$2,815,568,000	$57,266,000
Accrued Costs **1**	60,992,000	65,814,000	68,575,000	2,761,000
Proposed Law BA	$2,689,008,000	$2,824,116,000	$2,884,143,000	$60,027,000
FTE	10,970	11,104	11,187	83

1/ Please see Exhibit S for the crosswalk from current law to proposed law to reflect the Administration's proposal for full accrual retirement and health benefits.

2/ Excludes $750,000 in FY 2001 and $799,000 in FY 2002 for the proposed transfer of Legislative and Public Affairs to the Office of the Secretary.

The request of $2,884,143,000 (including accrued costs of $68,575,000) and 11,187 FTE is a net increase of $60,027,000 and 83 FTE over the FY 2002 enacted level of $2,759,101,000 minus $799,000 (Legislative & Public Affairs transfer) and plus $65,814,000 of accrued costs and 11,104 FTE. The formulation process included tribal and urban consultation and participation throughout. The following summarizes the IHS Budget Request:

IMPROVING ACCESS – Current Services: +$65,807,000 and 183 FTE

The IHS is requesting an increase of $63,085,000 for Current Services that includes funding for partial pay raises (ITU pay costs), contract support costs, and staffing and related operating costs for new facilities. All current service funding pays for annual costs that are attributable to the rapidly expanding American Indian and Alaska Native population and required to maintain the current level of health care provided. The current services increase of $63,085,000 includes the following:

- $26,812,000 for Federal Pay Costs.
- $19,758,000 for Tribal Pay Costs.
- $16,737,000 and 183 FTE for Phasing-In of Staffing and Operating Costs for new facilities.
- $2,500,000 for Contract Support Costs.

REDUCING THE GAP – Program Increases: +$17,351,000

- $1,500,000 for Epi Centers.
- $850,000 for HIPAA Privacy Regulations.
- $7,351,000 for Contract Health Services.
- $4,150,000 for Indian Health Profession.

- $2,500,000 for Information Technology Infrastructure (Year 3).

- $1,000,000 for Maintenance and Improvement funding to continue to help tribes make better use of their facilities.

Program Decreases: -$23,131,000 and -100 FTE

- -$8,871,000 for Management and Administrative Reductions and -100 FTE:

  -$4,435,000 in Hospitals & Clinics & 50 FTE
  -$4,436,000 in Direct Operations & 50 FTE

- -$14,260,000 net decrease from FY 2002 one-time projects and construction funds ($86,260,000). The budget includes $72,000,000 to fund Health Care Facility Construction projects in FY 2003.

Accrued Retirement and Health Benefits Costs

The increase of $2,761,000 between FY 2002 and FY 2003 is associated with the proposed Managerial Flexibility Act of 2001; **the full accrued costs in FY 2003 for Services and Facilities BA is $68,575,000.** This legislation requires agencies, beginning in FY 2003, to pay the full Government share of the accruing cost of retirement for current CSRS, CIA and Foreign Service employees, and the Coast Guard, Public Health Service and NOAA Commissioned Corps. The legislation also requires agencies to the pay full accruing cost of post-retirement health benefits for current civilian employees. The intention of the legislation is to budget and present the full costs of Federal employees in the accounts and programs where they are employed. This legislation is part of an initiative to link budget and management decisions to performance by showing the full cost of each year's program operations together with the output produced that year. These accrual costs are shown comparably in FY 2001 and FY 2002.

Absorption of Commissioned Corps Annuitants' Health Benefits Cost

Under current law, P.L. 106-398 (Defense Authorization Act of 2001), Agencies must pay the health benefits cost for commissioned corps annuitants age 65 and over. Under the new P.L. 107-107 (Defense Authorization Act of 2002) to become effective in FY 2003, **IHS will have to pay and absorb $11,899,000**. The Department of Defense will manage the fund and bill Agencies who have these costs.

Transfer of Legislative and Public Affairs to the Office of the Secretary

The budget request includes the transfer of the IHS' Legislative and Public Affairs offices to the Office of the Secretary where all legislative and public affairs functions in the Department will be consolidated into two offices by the end of FY 2003. **The transfer includes $838,000 and 8 FTE**.

Information Technology

The IHS' request includes funding to support Departmental efforts to improve the HHS Information Technology Enterprise Infrastructure. The request includes funds to support an enterprise approach to investing in key information technology infrastructure such as security and network

modernization. These investments will enable HHS programs to carry-out their missions more securely and at a lower cost. Agency funds will be combined with resources in the Information Technology Security and Innovation Fund to promote collaboration in planning and project management and to achieve common goals such as secure and reliable communication and lower costs for the purchase and maintenance of hardware and software.

Unified Financial Management System

The Unified Financial Management System (UFMS) will be implemented to replace five legacy accounting systems currently used across the Operating Divisions. The UFMS will integrate the Department's financial management structure and provide HHS leaders with a more timely and coordinated view of critical financial management information, including more accurate assessments of the cost of HHS programs. It will also promote the consolidation of accounting operations and thereby reduce substantially the cost of providing accounting services throughout HHS. Similarly, UFMS, by generating timely, reliable and consistent financial information, will enable OPDIV Heads and program administrators to make more timely and informed decisions regarding their operations.